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INTRODUCTION

The Office of Internal Audit performed an audit of the Fullerton/Jeffries District for the period January 1, 2003 through February 6, 2004. The objectives of our audit were to determine if internal controls in place at the district office provide reasonable assurance that Agency assets are safeguarded, transactions are properly recorded on a timely basis, and policies and procedures of Michigan Family Independence Agency (FIA) are being followed. The Fullerton/Jeffries District had 62 full time equated positions (FTE's) at the time of our review. The Fullerton/Jeffries District provided assistance to an average of 12,101 recipients per month during FY 2002, with total assistance payments of \$20,120,623.99 during that year.

SCOPE

Our audit was performed in accordance with Standards for the Professional Practice of Internal Auditing issued by the Institute of Internal Auditors. We obtained descriptions of significant systems operating at the Fullerton/Jeffries District, documented those systems, and evaluated controls in each system. We tested the systems for compliance, where feasible. We included the following systems:

Employment Support Services	CIMS/ASSIST
State Emergency Relief	Safe & Controlled Documents
Procurement Card	Client Processing/Supervisory Case Reading
Payroll and Timekeeping	State Car Usage
Cash Receipts and Returned Warrants	

EXECUTIVE SUMMARY

Based on our audit, we conclude that the Fullerton/Jeffries District internal controls are generally adequate to provide management with reasonable assurance that assets are safeguarded and transactions are executed in accordance with management's authorization. Our audit disclosed no exceptions in the Employment Support Services,

State Emergency Relief, Procurement Card, Client Processing and Supervisory Case Reading. We did, however, find a few instances of noncompliance with FIA policies and procedures and weaknesses in internal controls for the other systems included in our scope, which are detailed below.

DISTRICT RESPONSE

The management of the Fullerton/Jeffries District has reviewed all findings and recommendations included in this report. They indicated in a memorandum dated March 17, 2004 that they are in general agreement with the report.

FINDINGS AND RECOMMENDATIONS

CIMS/ASSIST

Security Officer's Log Report (PD-180) and Security Violation Report (VB9-163)

1. The Fullerton/Jeffries District did not document the reconciliation of the CIMS Security Officer's Log Report (PD-180) to the Security Agreements (FIA-3974A) as required by the Primary Internal Control Criteria for Local/District Office operations. They also did not document the Security Officer's review of the ASSIST Security Violation Report (VB9-163). Documentation of the review and reconciliation of the Security and Security Violation reports provides assurance that security transactions processed by the District are properly authorized.

WE RECOMMEND that the Fullerton/Jeffries District have the reconciler document the PD-180 and VB9-163 report reconciliations.

MA-010 Reconciliation-Flagged Transactions

2. The Fullerton/Jeffries District did not reconcile all flagged transactions on the Transaction Control Listing (MA-010) to the input documents, as required by the Local Office Reports Description Manual. Reconciliation of all flagged accounts

helps to ensure that transactions were properly authorized and correctly entered on the Client Information Management Systems (CIMS).

WE RECOMMEND that the Fullerton/Jeffries District reconcile all flagged transaction on the Transaction Control Listing to the input documents.

MA-010 Reconciliation-Openings and Reopening

3. The Fullerton/Jeffries District did not reconcile a sample of Openings and Reopening listed on the MA-010 Report to the case documentation, as recommended by the Primary Internal Control Criteria for FIA Local/District Office Operations. Reconciliation of Openings and Reopening provides assurance that their assigned workers opened cases.

WE RECOMMEND the Fullerton/Jeffries District reconcile a sample of openings and reopening to case documentation.

Controlled Documents

Unrecorded Controlled Documents

4. Fullerton/Jeffries District did not properly control Field Receipts (FIA-3543) because 75 Field Receipts were not included on its Control Document Log (FIA-4070) or its Monthly Controlled Document Inventory and Reconciliation (FIA-4351). Accounting Manual Item 403 require the use of the FIA-4351 and FIA-4070 for all controlled documents. Use of the Monthly Controlled Document Inventory and Reconciliation form and the Control Document Log help to ensure that theft, or misuse of Controlled Documents would be detected on a timely basis.

WE RECOMMEND that the Fullerton/Jeffries District ensure that all controlled documents are included on its Controlled Document Log and Monthly controlled Document Inventory and Reconciliation.

State Car Usage

Official Daily Travel Log Preparation

5. Fullerton/Jeffries District omitted or did not properly prepare the Official Daily Travel Logs (MTD-10) for state vehicle usage, as required by Administrative Handbook Manual Item 811. A review of August and October travel logs disclosed that daily travel miles, destination, and reason for travel were frequently omitted. In addition there were days where the cars were used, but no log entries were made. There was no authorizing signature for these months, and the odometer start and ending miles were not carried forward properly, and the total mileage for the month did not agree with the total of the daily mileage recordings. There was no Daily Travel Log prepared at all for the month of September, although there was a charge for 999 miles. Accurate completion and approval of the Daily Travel Log is necessary to document that state vehicles are used for appropriate purposes.

WE RECOMMEND that the Fullerton/Jeffries District ensure that the Daily Travel Log is accurately completed and approved for each day the state vehicle is used.

Cash Receipts and Returned State Warrants

Open Items on FIA-61

6. Fullerton/Jeffries District did not always record disposition information on the Record and Disposition of Checks/Warrants (FIA-61), as required by Accounting

Manual Item 460. We found two open items on the FIA-61, where the checks/warrants were not on hand and the local office had not recorded the disposition. We also found one returned EBT card and no recorded disposition. Recording the disposition on the FIA-61 provides documentation that returned checks/warrants and EBT Cards were disposed of properly.

WE RECOMMEND that Fullerton/Jeffries District record the disposition of all checks/warrants and EBT Cards on the FIA-61.

WE ALSO RECOMMEND that Fullerton/Jeffries District determine the disposition of the three open items on the FIA-61, and take the appropriate corrective action.

Payroll and Timekeeping

Payroll Certification

7. The Fullerton/Jeffries District did not establish adequate control over the payroll review and certification process. The timekeeper at Fullerton/Jeffries District certified the payroll on the Data Collection and Distribution System (DCDS) before the payroll was reviewed and approved by management responsible for certifying the payroll.

WE RECOMMEND that Fullerton/Jeffries District ensure that the timekeeper does not certify the payroll on the Data Collection Distribution System (DCDS) until the authorized certifier has reviewed and approved the payroll.

Payroll Record and Retention

8. The Fullerton/Jeffries District timekeeper maintained the certified copy of the HR-332A. The Primary Internal Control Criteria for Local/District Office Operations recommends that someone other than the timekeeper retain the HR-332A so that changes made after the certifier signs the HR-332A could be detected.

WE RECOMMEND that Fullerton/Jeffries District have the certifier or someone other than the timekeeper retain the HR-332A.